



June 5, 2013

The Honorable Sam Johnson
Chairman
Subcommittee on Social Security
Ways and Means Committee
B-317 Rayburn House Office Bldg.
Washington, DC 20515

The Honorable Xavier Becerra
Ranking Member
Subcommittee on Social Security
Ways and Means Committee
B-317 Rayburn House Office Bldg.
Washington, DC 20515

Dear Chairman Johnson and Ranking Member Becerra,

As the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families, AARP greatly appreciates the opportunity to submit this letter for the record of your May 23, 2013, hearing that examined Social Security benefit adjustments included in the President's Fiscal Year 2014 Budget, the report by the National Commission on Fiscal Responsibility and Reform, and the report of the Bipartisan Policy Center's Debt Reduction Task Force.

To that end, AARP would once again like to express our firm belief that any changes to Social Security, which has run surpluses for most of the last 30 years, must be done within the proper context of ensuring the retirement security of present and future generations of Americans, and not for purposes of reducing the federal budget deficit. We have therefore opposed, and will continue to oppose, proposals to authorize Social Security changes for, or within the context of, deficit reduction or budget agreements, such as the President's Fiscal Year 2014 Budget, the report by the National Commission on Fiscal Responsibility and Reform, and the report of the Bipartisan Policy Center's Debt Reduction Task Force. AARP believes that using the Social Security benefits that American taxpayers have earned to remedy a problem that Social Security did not create is neither right nor fair. And the American people agree.

For this and other reasons, and as stated in our previous testimony to this Subcommittee, AARP specifically opposes cuts to Social Security via the adoption of what is known as the chained consumer price index (CPI). Chained CPI is a budget-driven benefit cut that snowballs over time and, because it is less accurate than the current measure of inflation for Social Security cost of living adjustments, will make it significantly harder for seniors to keep up with the rising cost of utilities, health care and prescription drugs as they age.

In the face of declining pensions, shrinking savings, fallen home values, and rising health costs, Social Security deserves its own national conversation that focuses on preserving and strengthening the retirement security of Americans and their families for generations to come. In that context, Congress should act sooner rather than later to find

solutions supported by the public that will ensure Social Security's financing for future generations of Americans. AARP believes that protecting and strengthening Social Security must be done on a bipartisan basis and we welcome the opportunity to continue the national conversation with our membership and all Americans about how to achieve that necessary goal.

Social Security Benefits are Vital But Modest

Social Security is the only lifetime, inflation-protected, guaranteed source of retirement income that most Americans will have. It is the foundation of retirement security that keeps millions of older Americans out of poverty and allows them to live independently. Social Security also provides some measure of economic security for families who face a loss of income because of the disability or the death of a wage earner. The inflation protection provided through Social Security's annual COLA is a critical component to the success of the program.

At the end of 2012, about 57 million people received benefits from Social Security. The majority of these beneficiaries were 36.7 million retired workers. Social Security beneficiaries, however, also included 8.8 million disabled workers, 4.4 million children, 4.3 million widows, widowers, and parents and 2.4 million spouses. For many of these beneficiaries and their families, Social Security is the one source of income that stands between them and poverty – without it, more than 21 million additional men, women and children would be in poverty.

Today, about half of those aged 65 and older have annual incomes below \$20,000, and many older Americans have experienced recent and significant losses in retirement savings, pensions, and home values. Every dollar of the average annual Social Security retirement benefit of a little over \$15,000 is absolutely critical to the typical beneficiary. For older American households receiving benefits, Social Security is the principal source of income for nearly two-thirds, and roughly one third of these households depend on Social Security for nearly all of their income. Reliance on Social Security as a source of guaranteed income only increases as people age.

Social Security benefits are particularly important for women, who, on average, live longer and earn less than men. Women also spend more time out of the labor force or work part-time to care for children and other family members. A majority of all women aged 65 and older depend on Social Security benefits for 50 percent or more of their family income. Moreover, in 2011, older minorities relied on Social Security for a significant share of family income. Thirty-four percent of African Americans and 35 percent of Hispanics who are 65 and older depended on Social Security for 90 percent or more of their family income. Finally, the poor and near-poor also rely on Social Security for a significant share of their income; in 2011, more than half of the poor and almost 50 percent of the near-poor relied on Social Security for 90 percent or more of their family income.

And Social Security will likely be even more important to future generations. Due to stagnating income, escalating personal debt and rising costs for education and health care, workers today are less likely than their parents or grandparents to enjoy the living

standards of their working years when they retire. If these trends continue, Social Security will be the main source of income for all but the wealthiest retirees in the future.

Social Security is Not a Deficit Driver

As you know, Social Security benefits are financed through payroll contributions from employees and their employers, throughout an individual taxpayer's working life. The payroll contributions and benefits paid, including any administrative costs, are accounted for separately from the rest of the federal budget.

Further, by law, Social Security cannot pay out more in benefits (including administrative costs) than it has taken in over the life of the program. That is, the program has no statutory authority to borrow to pay benefits. Once the trust fund is exhausted, Social Security can only pay benefits to the extent it receives revenue from payroll contributions. As such, Social Security has not contributed to our large federal deficits.

To the contrary, Social Security has had cash surpluses each year for most of the past 30 years, taking in more revenue than it needed to pay in benefits. These surpluses, generated by the payroll contributions made by the American people, have been borrowed to meet other expenses of the federal government. In exchange, the federal government has issued Social Security Treasury bonds of equal value. That is, Social Security has reduced the past need for additional government borrowing from the public and resulted in a publicly held debt that is less today than what it otherwise would have been.

Social Security Deserves Its Own Conversation

AARP believes that reducing the nation's deficit and restoring confidence in our budget is important, but we also understand that Social Security is vital to the economic security of older Americans and the disabled; it has a dedicated funding source, is a separate and self-financed program, and did not add to our federal deficit. Therefore, AARP believes that cuts to the program should not be made to reduce the deficit.

According to the Social Security Trustees, even with no changes at all, Social Security has sufficient income from payroll contributions and assets in Treasury notes to pay 100 percent of promised benefits for the next 20 years, and can continue to pay approximately 75 percent of promised benefits thereafter. Social Security is therefore not in crisis, but the projected gap should be closed.

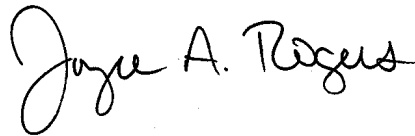
AARP believes that the long-term Social Security funding shortfall should be addressed sooner rather than later so that the fundamental structure of the program can be retained and the protections it offers to almost all workers and their families can be protected and even enhanced. However, any changes to the Social Security system must 1) be made within the proper framework of protecting and increasing the retirement security of real people who have paid into the program; 2) ensure that any changes are phased in gradually and 3) protect current and near-retirees.

The promise of Social Security has endured for over 75 years. It is a promise that AARP believes embodies our deepest values as Americans – our obligations to one

another – our obligations between generations – between parents and children – between grandparents and grandchildren – between those in retirement and those at work – between the able-bodied and the disabled. And AARP firmly believes that this promise must continue to endure as Social Security will continue to play a critical role in the lives of future generations of Americans.

Once again, AARP would like to thank Chairman Johnson and Ranking Member Becerra for the opportunity to share with you our views on the important role Social Security plays, and will play, in the lives of both current and future generations of Americans. We look forward to working with you and the other members of this Subcommittee to ensure that any changes to Social Security are done in a way consistent with the needs and wants of the American people. If you have any questions, please feel free to contact me, or have your staff call Cristina Martin Firvida of our Government Affairs staff at 202-434-6194.

Sincerely,

A handwritten signature in black ink that reads "Joyce A. Rogers". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Joyce A. Rogers
Senior Vice President
AARP Government Affairs